From: <u>cskaalen@fsebg.com</u>
To: <u>Director - FASB</u>

Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities" Exposure Draft

Date: Monday, September 27, 2010 11:43:24 AM

Christopher J. Skaalen 3 Main Avenue North Harmony, MN 55939-8888

September 27, 2010

Russell Golden Technical Director, Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Dear Mr. Golden:

Dear Mr. Golden:

Thank you for allowing me to express my concerns regarding FASB's Exposure Draft regarding Accounting for Financial Instruments.

I am writing to urge FASB to not go forward with the proposal.

I am the President and co-owner of two small community banks located in southeastern Minnesota. Our banks have approximately \$83M in total assets and employ approximately 21 people in our small communities.

I am greatly concerned that the changes proposed would severly misrepresent our banks financial condition and would impact our ability to properly serve our customers.

Mr. Golden, our banks are already overly burdened by excessive regulations which do absolutely nothing to serve either the best interests of our customers nor the shareholders of our bank. They are simply there because the larger mega banks have chosen not to put their customers first. We as small community banks pay the price of their indescretions. Our banks have neither the manpower, time or financial resources to comply with this proposal.

This proposal would do nothing more than confuse our customers, cost us ten of thousands of dollars in order to comply and would force many small town banks to simply sell out to the larger banks that have the resources and staff to comply.

This would do only one thing and that is assist in the consolidation of banking into the larger banks. I have first hand knowledge of what happens when a regional or mega bank takes over a small town bank. It immediately centralizes all lending decisions and cuts staff. In three towns located within 25 miles of me, this has happened. Their customers cannot see a loan officer because there isnt one in the bank. All lending decisions are made at the central office with no care of the character of the people living in that community.

We, also oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would also be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to do this. This portion of the proposal is just plain insane for an institution of our size.

Our banks fund their our operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable. We do not nor have never traded our assets so this entire exercise is fruitless and futile for a bank our size.

Mr. Golden, I would urge that if FASB feels that this proposal is warranted that it be limited to those banks which are at the root of the problems. PLEASE dont make us pay the price once again for the ills of the big banks. This proposal will do nothing more than to dry up credit in our smaller communities at a time when credit is needed and will further lead to the consolidation of our small banks and therefore ruin our small town communities which are the lifeblood of this economy.

Thank you for the opportunity to comment on this proposal.

Sincerely yours,

Christopher J. Skaalen